

MARICOPA COUNTY SELF-INSURED TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street, Suite 3200
North Conference Room, 3rd Floor, Maricopa County Administration Building
Monday, February 23, 2015
Open Meeting Time: 11:00 A.M.

MINUTES

TRUSTEES PRESENT: Jim Steinkamp, Beverly Dupree, Dan Robledo
Rex Jorgensen

TRUSTEES ABSENT: Brad Arnett, Frank Hinds

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,
MaryEllen Sheppard, Tawn Austin, Curtia Hunter-Richard

GUESTS: Gail Cohen, Maricopa Deputy County Attorney

Curtia Hunter-Richard distributed a presentation folder to each Trustee and Staff member present. The folder included the meeting agenda, August 18, 2014, October 20, 2014 and November 17, 2014 meeting minutes, and the financial statements.

The Open Session meeting was called to order by Chairperson Steinkamp at 11:10 A.M. A quorum was present.

Approval of Meeting Minutes

Approval of the August 18, 2014, the October 20, 2014 and the November 17, 2014 meeting minutes was deferred until the next Board of Trustees meeting.

Presentation and Discussion – Review of Financial Statements

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Financial Commentary – January 2015
 - December 2014- Mid-Year Review
 - January 2015 Year-To-Date Results
 - Full Year Forecast for Year Ended June 2015

- Fund Balance Roll-Forward with Impact of Benefit Holiday Removed – Seven Months Ended January 31, 2015
- Fund Balance Roll-Forward – Seven Months Ended January 31, 2015
- Statements of Revenues, Expenses, and Changes in Net Assets – YTD as of January 31, 2015
- Statements of Net Assets – January 31, 2015, June 30, 2014, June 30, 2013, and June 30, 2012
- Balance Sheet Details – January 31, 2015, June 30, 2014, June 30, 2013, and June 30, 2012
- Revenue and Expenses – Seven Months Ended January 31, 2015
- Fund Balance Roll-Forward with Impact of Benefit Holiday Removed – Forecast for Full Year Ended June 30, 2015

Presentation and Discussion – Mid-Year Financial Review

Dave Hansen presented the financial status of the Benefits Trust Fund including the FY 2014 financial audit, a review of the first six months of FY 2015 assets and liabilities, and recent operating issues that have a significant financial and operational impact on the Benefits Trust Fund.

The question by Chairperson Steinkamp in reference to Cigna's overpayment of capitation charges was addressed and clarified. The capitation error was caught as Cigna developed another network (a fee-for-service network). Per Cigna, they were not required to report the error to the SEC since its impact was limited to Maricopa County/Arizona only and was not nationwide problem.

The question by Trustee Dupree in reference to the process the County has developed to monitor for future capitation errors was addressed and clarified. Cigna will be reporting monthly to Maricopa County more details about costs related to capitation and this should be enough to confirm whether the capitation calculation is correct.

The questions by Trustee Jorgensen in reference to Cigna's calculation of the capitation were addressed and clarified. The County may have the right to audit Cigna and the contract would need to be reviewed for the option to specifically audit the capitation process. Dave Hansen indicated he is fairly confident that Cigna's correction of the capitation error is accurate due to comparisons with current claims.

The questions by Trustee Dupree, Trustee Jorgensen and Chairperson Steinkamp in reference to Cigna's verification of accuracy on the capitation were addressed and clarified. The County confirmed that information is still under review for the months of July and August 2014. An additional, final refund of \$80,000 is expected from Cigna in February 2015. Based on reports received, the refund amount appears to be accurate.

The questions by Chairperson Steinkamp in reference to the County's controls on compound prescriptions were addressed and clarified. Compound drugs are not FDA

approved. There are no strict safety controls when drugs are combined in the course of mixing compounds. The County's Pharmacy Benefit Managers (PBMs) administer the prescription plans with a \$50 maximum threshold on the purchase of compound drugs. A prior authorization is required for compound drugs that cost more than \$50.

The question by Trustee Dupree in reference to the Plan's reported costs to treat Hepatitis C was addressed and clarified. The costs reflected for Sovaldi and Harvoni for the 12-month calendar year was to treat approximately 12 individuals with Hepatitis C, averaging approximately \$80,000 per treatment. The County reported that competition amongst Hepatitis C drug manufacturers has increased which may provide an opportunity for reduced costs for the Plan in the near future.

The question by Chairperson Steinkamp in reference to audit opportunities for PBM claims administration was addressed and clarified. The fiscal year audit, as recently completed by the County, included review of prescription claims. In addition, Dave Hansen reviews brand, generic and specialty claims on a month-to-month basis and analyzes them based on the County's agreed-upon contractual discounts with the PBMs.

The question by Chairperson Steinkamp in reference to forecasting of a short-fall was addressed and clarified. The County is forecasting a \$7.5million short-fall for Plan Year 2015-2016.

Presentation and Discussion – Financial Statements

Dave Hansen presented an update on the current assets and liabilities related to the Benefits Trust Fund through seven months ending January 31, 2015.

Presentation and Discussion - Full Year 2015 Forecast

Dave Hansen presented the financial forecast for FY 2014-2015 for the Benefits Trust Fund.

The question by Chairperson Steinkamp in reference to what is causing the medical expenditures loss to exceed 4% was addressed and clarified. The County intentionally held the increase in premium rates down for PY 2015 since the previous two years of trend data did not have any significant changes in claims costs.

The question by Trustee Dupree in reference to the recovery plan for the current year forecasted loss was addressed and clarified. The County's recovery plan is complex due to the impact of the Affordable Care Act. The Plan experienced a loss last year due to prescription and large claims which may have been either an arbitrary spike or an on-going trend. Based on current information, it appears to be more of an on-going trend.

The question by Chairperson Steinkamp in reference to the number of Maricopa County employees eligible for benefits was addressed and clarified. The County has approximately 11,500 employees currently covered on its Plans.

The question by Trustee Jorgensen in reference to the Affordable Care Act and the requirement to issue 1095-C forms was addressed and clarified. The 1095-C data will need to be tracked monthly but reported annually for each covered employee and their covered dependents.

Presentation and Discussion – FY 2016 Budget Update

Christopher Bradley distributed a draft of the Benefits Trust Fund (02/23/2015) and presented an update on the FY 2016 Budget. He addressed the question regarding the County's plan to avoid the same trend of losses forecasted for PY 2014-2015. The County has incorporated a significant increase in the premiums - from 8.5% to 18%. The Board of Supervisors approved the benefit plans and rates on January 7, 2015 along with the budget guidelines for FY2016. The adoption of the premiums and plans are based on how the County prepares the budget. The proposed budget will be turned in by end of day 2/23/2015. The proposed FY 2016 Budget will then be reviewed by OMB, and their recommendations will be forwarded to the Board of Supervisors in May. Final approval is scheduled for around June 20, 2015.

The questions by Chairperson Steinkamp in reference to the Uses of Funds as only a 2% increase over this fiscal year were addressed and clarified. The premium increase for next fiscal year will cover the projected losses of this year. In addition, a positive impact from the controls placed on compound drugs and plan design changes for PY 2015-16 have helped reduce costs.

The questions by Chairperson Steinkamp in reference to the reserve fund balance were addressed and clarified. A second Premium Holiday is planned in the budget for FY2015, which would be around \$5.2 million. The Reserve Level would be approximately \$3.6 below the Mercer recommended target (as reported for June 30, 2014) if the forecasted loss of \$7.5 million is accurate. It was confirmed that the County chose to select the most conservative end of the range for setting the Reserve Level. The accuracy of the forecast will be reflected within two or more months.

The question by Trustee Jorgensen in reference to the surplus over and above the IBNR as compared to the Reserve was addressed and clarified. Currently the surplus is at approximately \$9 million over the recommended Reserve Level.

The question by Trustee Dupree in reference to the approval process for the second Premium Holiday was addressed and clarified. It was confirmed that the second

Premium Holiday would need to be approved by the Board of Trustees before it is presented to the Board of Supervisors.

Call to Public

Chairperson Steinkamp made a Call to the Public. There was no one from the public in attendance.

Motion to Adjourn

Chairperson Steinkamp called for a motion to adjourn. The motion to adjourn was made by Trustee Jorgensen and seconded by Trustee Dupree. The motion passed unanimously.

The meeting was adjourned at 12:10 P.M.